

Sida's guarantee instrument enables mobilization of capital for development purposes and encourages the private sector to engage in Sida's mission of global poverty reduction.

Sida's mission is to create opportunities for people living in poverty and under oppression to improve their living conditions. In addition to grant funding, Sida offers a guarantee instrument which is designed to share risk with public and private actors in order to mobilize additional capital and bring in new partners to reach development impact.

The purpose of Sida's guarantee instrument is to promote sustainable development, inclusive economic growth and poverty reduction by unlocking existing financial resources and facilitating access to credit.

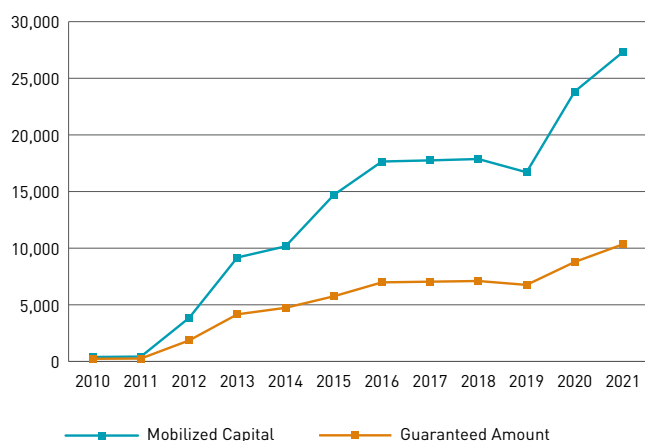
Guarantees may be used in all sectors and within the scope of any Swedish Development Cooperation Strategy. Sida's existing guarantee portfolio has a wide geographical spread and covers many of Sida's focus areas, such as infrastructure, environment, market development, agriculture, health and democracy and human rights.

In bilateral development cooperation, guarantees are mainly used to enhance lending to certain target groups with limited access to credit, and to promote business activities of smallholders and entrepreneurs. Guarantees are also used to enable investments in clean and more efficient energy production, reduced emissions and other environmental improvements.



Augenia Mkoko, an entrepreneur who has accessed financing as a result of a Sida supported guarantee in Tanzania. N.M. Bohay, PASS and U. Källstig, Sida. Photo: Sida.

Chart 1: Development Trend, MSEK

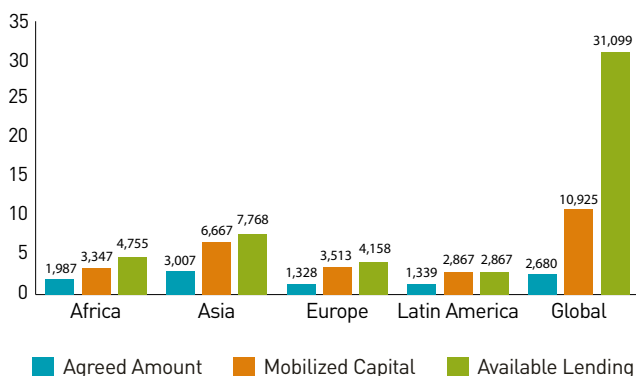


In regional and global contributions, guarantees are generally used to address global challenges and to promote a wider impact for Sweden's thematic priorities, namely economically, socially and environmentally sustainable and climate friendly development, as well as human rights and democratization. In this perspective, the guarantee instrument can contribute ambitiously to generate additional resources as part of Sweden's commitments in relation to the Addis Abeba Action Agenda for development financing and the implementation of the 2030 Agenda with the Global Goals for Sustainable Development (SDGs) and the Paris Climate Agreement.

The Guarantee Portfolio 2021

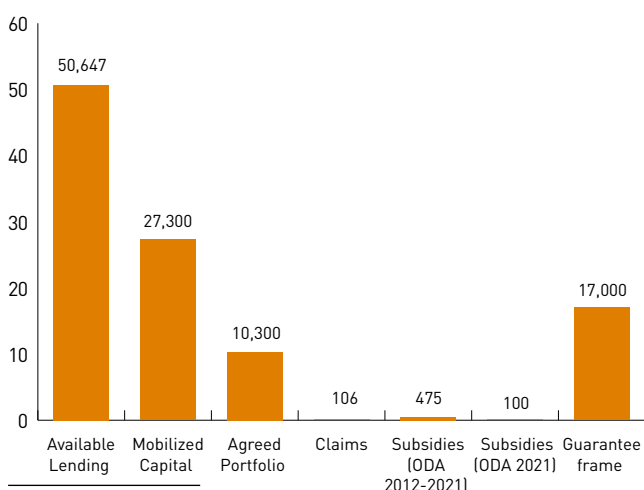
The portfolio has a global spread over Africa, Europe, Asia, Latin America and Global projects (Chart 2).

Chart 2: Sida Guarantee Portfolio
Mobilized capital, agreed amount and available lending in different regions, MSEK



By the end of 2021, the total guaranteed amount in Sida's active portfolio amounted to SEK 10.3 billion, which had generated SEK 27.3 billion in mobilized capital¹ and made close to SEK 50 billion available for lending². Since 2015, total defaulted loans paid out as claims have amounted to SEK 106 million, i.e. around 1 percent compared to the current guaranteed volume. Chart 3 shows that with a current total agreed guarantee volume of SEK 10.3 billion, and at a cost of about SEK 475 million of Official Development Assistance (ODA) for subsidies of fees and administrative costs, Sida has contributed to raise an amount of SEK 50 billion for available lending. This is about five times greater than the guaranteed amount and about 110 times larger than the cost.

Chart 3: Guaranteed amount in 2021, MSEK



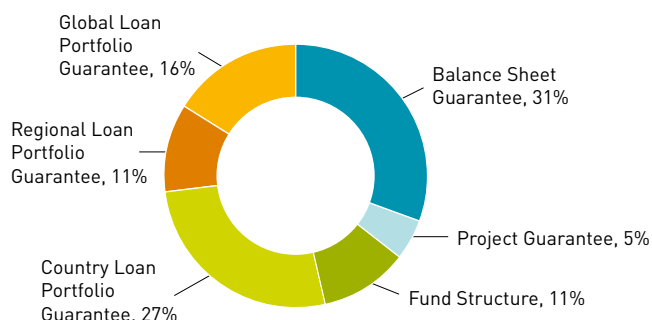
- 1 Mobilized capital refers to funding that is unlocked from other financial sources for lending for development purposes as a result of a guarantee agreement. According to the OECD/DAC's guidelines, mobilized capital is furthermore defined as the guarantor's share of the total value of a loan facility under a guarantee arrangement. For exchange to USD, please use the currency exchange rate of 9,0437 SEK/USD (rate of 31 December 2021 used for the closing of Sida's annual financial books).
- 2 Available lending refers to the total amount of possible lending generated by a guarantee arrangement. As opposed to mobilized capital, available lending includes the entire lending volume stemming from all guarantors' commitments.

Types of Guarantees

At present, the portfolio contains four different types of guarantees:

- A Loan Portfolio Guarantee covers several loans or investments in a financial institution's portfolio on an individual and ongoing basis.
- A Project Finance Guarantee guarantees a single loan between an identified lender and an identified borrower.
- A Balance Sheet Guarantee is a guarantee in which Sweden's high credit-rating is used to release headroom in the balance sheet of the financier, which in turn enables them to increase their lending. The underlying asset can be, for instance, a loan or project portfolio.
- A Fund Structure Guarantee covers a fund that is set up to attract capital for a certain purpose. The capital is invested in the fund and thereafter the fund manager lends the capital to different entities with a joint development goal, for example global health. The guarantee is not applied to single loans on an ongoing basis but is only called upon at the time of the fund's closure and a potential net loss of the investments as a whole.

Chart 4: Agreed Guarantee Amount per Type of Guarantee, %



How does it work?

A guarantee by Sida is a sovereign guarantee, backed by the Swedish government. A Sida guarantee can cover different types of risk, such as credit or political risks. By issuing a guarantee Sida can take a share of the underlying risk in order to unlock financing and investments to serve development purposes.

An external risk assessment of the risks involved is made by the National Debt Office. The risk is estimated in an amount defined as expected loss. Based on the expected loss, Sida charges a guarantee fee to the bank or organization receiving the guarantee. When deemed necessary, a part of the guarantee fee can be subsidized by Sida grants. The expected loss amount including subsidy is deposited into the state guarantee service account. The funds from the service account are used to make payments in case of defaults. No other Sida resources for grants are used for the repayment of defaults.

Table I: Active Guarantees as of end of 2021

Sector	Partner	Country/Region	Period
AGRICULTURE			
Private Agriculture Sector Support (PASS)	Private Agriculture Sector Support Trust	Tanzania	2017–2024
Pilot project Innovative Finance – Oikocredit and Church of Sweden	Oikocredit	Regional Africa	2019–2027
Colombia – Loans & Guarantees for rural development	Mibanco S.A	Colombia	2018–2023
ENERGY – ENVIRONMENT			
Nefco Portfolio guarantee step 3	NEFCO/Nordic Environment Finance Corporation	Ukraine	2021–2034
EARF – COVID19 off-grid relief fund	SIMA/Social Investment Managers and Advisors LLC	Regional Africa	2021–2027
Portfolio guarantee renewable energy Rwanda	Development Bank of Rwanda (BRD)	Rwanda	2018–2026
TRINE, 2018–2022, crowdfunding Renewable Energy	TRINE AB	Regional Africa	2018–2023
Lendahand crowdfunding guarantee	HANDS-ON B.V – LENDAHAND	Regional Africa	2018–2023
SunFunder Guarantee	SUNFUNDER INC.	Regional Africa	2019–2029
Renewable Energy Guarantee – Uganda	Stanbic Bank Uganda	Uganda	2019–2026
Pakistan – Guar Windpower	Asian Development Bank	Pakistan	2012–2025
Loan Portfolio Guarantee for Sustainable Energy Moldova	USAID & Prime Capital	Moldova	2014–2029
Zambia, bioenergy Madison Finance LPG guarantee	USAID & Madison Finance	Zambia	2015–2022
NEFCO guarantee energy efficiency Ukraine education	NEFCO/Nordic Environment Finance Corporation	Ukraine	2017–2032
Conflict-Affected and Fragile Economies Facility (CAFEF/ MIGA)- Guarantee	Multilateral Investment Guarantee Agency, MIGA	Global	2013–2033
NEFCO Portfolio guarantee	NEFCO/Nordic Environment Finance Corporation	Ukraine	2014–2029
Global Guarantee Facility Household Technologies	USAID & Calvert, Social Alpha	Global	2014–2022
Energy Efficiency Procredit Guarantee	ProCredit d.d. Sarajevo	Bosnia and Herzegovina	2019–2026
SUSTAINABLE INFRASTRUCTURE			
IFC AXA	International Finance Corporation/World Bank Group	Global	2017–2042
Portfolio Guarantee – Asian Development Bank	Asian Development Bank	Regional Asia	2016–2026
Guarantee of IFC's loan portfolio	International Finance Corporation/World Bank Group	Global	2017–2042
DEMOCRACY & HUMAN RIGHTS			
MDIF Media Guarantee Facility – Guarantee Part	Media Development Investment Fund	Global	2015–2027
HEALTH			
Guarantee Unicef VII	UNICEF/United Nations Children's Fund	Global	2021–2026
Cross Border Impact Ventures	Women's and Children's Health Technology Master Fund GP LTD	Global	2021–2035
Global Health Investment Fund	Bill & Melinda Gates Foundation	Global	2013–2024
Guarantee SDG-bond health, financial inclusion, environment, climate change, agriculture	Financing For Healthier Lives Dac	Global	2020–2026
MARKET DEVELOPMENT – MULTISECTOR			
Swedish Guarantee Facility in Palestine through MEII 2	MEII/Middle East Investment Initiative	Palestine	2021–2033
COSAMI Loans & Guarantees for Financial Inclusion	Cooperative COSAMI	Guatemala	2021–2029
UNCDF/Bamboo Capital – BUILD SME Fund	BUILD I Sub-Fund	Global	2021–2031
Guarantee to FINCA/Procredit	USAID & Finca, ProCredit	Democratic Republic Congo	2016–2023
Portfolio Guarantee Georgia	TBC Bank	Georgia	2018–2025
Guarantee with MFO Crystal	USAID & MFO Crystal	Bosnia and Herzegovina	2020–2028
Diaspora Loan Guarantee	ProCredit	Bosnia and Herzegovina	2020–2027
GCAMF Refugees Financial Inclusion Guarantee Program	UNHCR HIGH COMMISSIONER FOR REFUGEES	Global	2019–2024
Guarantee Facility in Palestine/ MEII 1	MEII/Middle East Investment Initiative	Palestine	2014–2024
African Guarantee Fund, AGF	African Guarantee Fund	Regional Africa	2014–2023
Socremo Loan Portfolio Guarantee	USAID & Socremo	Mozambique	2014–2026
Guarantee ProCredit	USAID & ProCredit	Bosnia and Herzegovina	2015–2025
Guarantee Sparkasse	USAID & Sparkasse	Bosnia and Herzegovina	2015–2025
USAID-Sida MSME Portfolio Guarantee in Zimbabwe	USAID & Barclays Bank	Zimbabwe	2015–2022
Guarantee Nova Banka	USAID & Nova Banka	Bosnia and Herzegovina	2015–2025
Somalia Credit Guarantee Scheme (SCGS)	One Earth Future Foundation	Somalia	2018–2023
Guarantee Enat Bank (2016–2023)	USAID & Enat Bank	Ethiopia	2016–2023
Kosovo Credit Guarantee Fund	Kosovo Credit Guarantee Fund, KCGF	Kosovo	2017–2024
Guarantee IDB Latin America	IDB/Inter-American Development Bank	Latin America	2020–2030

AGRICULTURE

2017 Private Agricultural Sector Support (PASS)

PASS was founded by Denmark together with the Government of Tanzania to stimulate investments and boost growth in the agricultural sector. PASS provides financial services for smallholder farmers and SMEs in the agricultural sector in Tanzania. A USD 20 million guarantee enables farmers and SMEs in the agricultural sector to receive loans from 15 commercial banks and financial institutions. The cooperation is expected to lead to more jobs, increased productivity and higher income in the agricultural sector in Tanzania, a sector that employs most of the country's population and a large proportion of those living in poverty.

SUSTAINABLE INFRASTRUCTURE

2017 and 2020 International Finance Cooperation (IFC)

IFC is part of the World Bank Group and promotes sustainable economic growth through investment and advisory services in the private sector in low income countries. Sida and IFC have jointly developed a model where institutional capital is invested alongside IFC's investments in sustainable infrastructure projects. Insurance companies have set up a USD 1 billion fund, to be used for lending to new IFC projects. Sida's guarantee enables IFC to make more sustainable investments in low-income countries and to further invest in renewable energy.

IFC covers risks in the funds through a first loss tranche of 10% and Sida counter-guarantees IFC. The guarantees are expected to cover 20-30 individual projects with a maximum coverage of USD 57 and 18.7 million respectively. Loans covered by Sida's guarantees are expected to have a maturity of up to 20 years.

ENERGY – ENVIRONMENT

2014, 2017, 2021 Ukraine Nordic Environment Finance Corporation (NEFCO)

NEFCO's main focus is to generate positive environmental effects of interest to the Nordic region. To enable NEFCO to continue financing of Ukrainian municipal infrastructure investments, mainly energy efficiency projects, in 2014 Sida approved a guarantee to NEFCO's lending in the country, both in respect to safeguard existing projects and for their continued operation. After a successful start, Sida and NEFCO decided to prolong the agreement in 2017, resulting in an increase to a EUR 25 million guarantee with 50% risk sharing. In 2021, a second guarantee of EUR 50 million was approved by Sida. Together, the two guarantees enable NEFCO to lend up to EUR 100 million towards municipal infrastructure investments with support from a Sida guarantee.

In 2021, an additional guarantee to NEFCO became operational, covering energy efficiency investments in Ukrainian universities. NEFCO is financing this project together with the European Investment Bank. Financing is provided to energy efficiency improvement of 14

university buildings in Ukraine. The improvements include insulation, ventilation, air conditioning systems and electrical installations, heating systems with wiring, sub-stations and boilers. In addition to energy efficiency, up to 15% of investments will go to new training equipment.

2019 SunFunder

SunFunder Inc is based in Delaware, US and mobilizes investments to finance renewable energy SMEs in low income countries at a reasonable interest rate. The Sida guarantee is intended to cover a portion of the risk of loans by two SunFunder funds. Lending is focused on home solar panel systems, commercial and industrial partners and mini grids for productive use, all with solar power generation as the basic technique. The purpose is to stimulate the development and investment in the so-called off-grid sector (outside the fixed electricity grid) for energy services in Africa.

The lending mainly goes to energy companies in Sida's partner countries in Africa. The contribution is expected to result in at least 600,000 connected customers and a total reduction of carbon dioxide emissions of around 1,760,000 tCO_{2e}. The risk sharing structure is divided into two categories, where 70% is guaranteed to lending in Mali, Madagascar, Somalia, Sudan, South Sudan, Liberia and DRC, and guarantee coverage elsewhere is 50%.

2018 Crowdfunding Renewable Energy

Trine is a crowdfunding platform in Sweden that arranges grassroots finance for renewable energy solutions and facilitates loans to Energy Service Providers (ESP) in sub-Saharan Africa. The ESP's demand for debt finance is large but funding from local banks and potential investors is restricted due to high perceived risk. Sida has issued a SEK 60 million guarantee, sharing 60% of the risk on loans given by Trine to the ESPs. The ESP's financial models offer access to solar energy solutions through installment and repayment through a mobile phone, making it accessible. The contribution thereby increases production of renewable energy and also improves access to renewable energy sources for people living in poverty, who would be unable to connect to expensive grid solutions.

In total, Trine is expected to mobilize SEK 100 million in private capital, provide around 550,000 people with access to renewable energy, increase installed effect by 1 MW based on renewable energy sources and avoid 200 million kg of CO₂ emissions annually.

DEMOCRACY AND HUMAN RIGHTS

2015 The Media Development Investment Fund (MDIF)

Free and independent press plays an essential role in the functioning of a democracy. However, more than 86% of the world's population have limited access to independent media.

MDIF aims at improving the financial viability and audience reach of independent news businesses in low income countries so they are able to expose corruption,

hold governments accountable and provide relevant and independent information to more people. Sida has provided a guarantee of USD 5.4 million to help MDIF reach more external investors to support their project. The intervention is complemented by technical assistance support.

HEALTH

2020 SOCIAL BOND

This guarantee enables SEK 1.5 billion in private funds to be invested in a bond with a focus on health and social development. The money is lent to companies in low- and middle-income countries and enables private investment for projects with a social focus in Africa, Latin America and Central, South and Southeast Asia, which is expected to contribute to improved living conditions, health and quality of life for people living in poverty.

The purpose is to make investments where it is possible to generate measurable societal effects in low income countries. The guarantee is a collaboration between the fund manager responsAbility, Danske Bank and Sida. Two Swedish insurance companies have invested in the Social Bond.

MARKET DEVELOPMENT – MULTISECTOR

2014, 2021 Palestine Guarantee Facilities

In 2014, Sida provided a USD 20 million revolving loan portfolio guarantee to Middle East Investment Initiative (MEII) in Palestine. MEII in its turn guarantees local Palestinian banks lending to MSMEs in Area C, East

Jerusalem, Hebron and Gaza. In 2017, the guarantee was amended and increased to USD 28.5 million, and in 2021, as the old guarantee lending window closed, a new guarantee was issued for USD 29 million. This includes new banks and Micro Finance Institutions (MFIs) and a window for lending to female borrowers as well as renewable energy and energy efficiency projects in Areas A and B.

2016 DR Congo Finca and Procredit

Lack of finance for agriculture and sustainable energy investments remains an important constraint to sustainable growth in the Democratic Republic of Congo. Many banks in the country earn a large share of their income through fees and through investments in relatively low risk government bonds. This is negative for financial inclusion and means less finance available for MSMEs. The agricultural sector is particularly disadvantaged. In order to spur lending to SMEs in the agriculture and renewable energy sectors, Sida and USAID have provided a USD 8.9 million guarantee facility to Procredit Bank Congo and Finca RD Congo. Beneficiaries are MSMEs in the North and South Kivu provinces.

2016 Asian Development Bank (ADB)

The Asian Development Bank is an important regional development partner for Sweden. Sweden's main cooperation with ADB is in clean energy, environment and climate, sustainable urban infrastructure, agriculture and inclusive business.

Sida has issued a balance sheet guarantee for a part of loans given by ADB to development projects in Asia.



Azalech Tesfaye, owner of a small company that produce coffee in Ethiopia. She recieved a loan through a Sida&USAID guarantee to Enat Bank. Photo: Elena Sahlin/Sida.

The guarantee stretches over 10 years, totaling USD 155 million, with a possibility for ADB to increase its lending up to USD 500 million. The main features of the guarantee is to use Sweden's high credit rating to release headroom in ADB's balance sheet, which will enable the bank to increase its lending. The chosen asset (project portfolio) to be guaranteed has a low risk profile, which increases the leverage created by the guarantee. The released lending headroom contributes to new ADB lending.



A person that was able to lease a solar system through financing that was made available by Trine Crowed Funding guarantee. Photo: Trine.

2018 Somalia Credit Guarantee Scheme (SCGS)

The financial sector in Somalia is underdeveloped and financial institutions practice an exclusive approach towards lending that benefits the few who can provide collateral. The cost of credit is high and allows only for short-term financing. The majority of the population, especially women and young people, are excluded from the financial sector due to a lack of collateral and the perceived risk level. This situation has a major negative impact on the development of MSMEs and the conditions for employment. At the same time, MSMEs are widely recognized as key drivers of new job creation and overall economic growth. Sida has issued a guarantee to One Earth Future Foundation (OEF), an American NGO with activities in Somalia under a project called Shuraako, which works to facilitate investments in promising Somali businesses. The guarantee volume is USD 5 million and Sida covers up to 70 % of potential losses under the qualifying loans, while the lending bank covers the remaining 30%.

2018 TBC Bank, Georgia

A main challenge in Georgia is weak economic growth, low local production and low education, as well as the dollarization the country is experiencing. A specific need for access to finance is identified for MSMEs and start-ups in Georgia. These groups are seen as high risk borrowers. High collateral in combination with formal demands and/or lack of bankable projects are a barrier to provide and receive financing.

TBC is one of the biggest banks in Georgia and it has expressed a strong interest in expanding its business towards MSMEs and start-ups. Sida sees added value in helping these segments of borrowers and agreed to a USD 20 million guarantee to support lending to these clients. The guarantee offers a 60% protection to start-up companies, women entrepreneurs and projects focused on clean energy. The overall guarantee percentage shall however not exceed 50% on the outstanding lending. The guarantee has a revolving structure, meaning that new loans may be issued under the guarantee following amortization and final repayment of previous loans. Total utilization over the lifetime of the guarantee may therefore exceed 100% of the guaranteed amount.

2020 Guarantee to refugee and host populations, Uganda

Grameen Credit Agricole Microfinance Foundation (GCAMF) was founded in Luxembourg in 2008 by Credit Agricole S.A., a French retail bank, and Grameen Trust, a nonprofit microfinance organization affiliated with the Grameen Bank of Bangladesh. GCAMF's mission is to contribute to the fight against poverty in the world by developing and encouraging local microfinance initiatives and social business companies in low and middle income countries, and by promoting agricultural micro insurance projects.

GCAMF has set up a credit facility of EUR 5 million during the period 2019–2024 of which 50% is guaranteed by Sida. The guarantee aims at facilitating access to finance with favourable terms for MFIs willing to disburse loans to refugees and host populations in Uganda. The primary target borrowers are entrepreneurial poor among refugee populations and in host communities.

GCAMF will finance up to 3–4 MFIs targeting refugees in Uganda during the lifetime of the guarantee. Sida will reimburse GCAMF in case any of the MFIs fail to repay GCAMF due to a payment default under any of their outstanding loans to the target population.